GinnieMae
Our Guaranty Matters

Ginnie Mae's Role in Housing Finance

Ginnie Mae has been a cornerstone of the U.S. housing finance system since it was created more than 40 years ago. In 1968, Congress established the Government National Mortgage Association, also known as Ginnie Mae, creating the wholly-owned government corporation within the U.S. Department of Housing and Urban Development (HUD) to assist in raising capital for mortgage loans insured by other government agencies.

In 1970, Ginnie Mae created and issued the first mortgage-backed security (MBS) in the U.S. as a financial tool to help bring funds from worldwide investors to the U.S. housing market. The securities are collateralized by the cash flows from loans insured or guaranteed by the Federal Housing Administration (FHA), Department of Veterans Affairs Home Loan Program for Veterans (VA), Office of Public and Indian Housing (PIH), and the U.S. Department of Agriculture Rural Development (RD).

The Ginnie Mae guaranty – the only MBS guaranty explicitly backed by the full faith and credit of the U.S. Government – assures investors that they will receive their monthly principal and interest payments on outstanding securities in a timely manner.

The continued demand for Ginnie Mae securities provides a steady source of funding for government-backed loans. The securities also enjoy strong pricing in the secondary market and favorable trading spreads, which translate to lower interest rates for borrowers.

Ginnie Mae's business model significantly limits U.S. taxpayers' exposure to risk associated with secondary market transactions. Its strategy is to guarantee a simple pass-through security to investors rather than buy loans and issue its own securities. Because private lending institutions originate eligible loans, pool them into securities and issue Ginnie Mae MBS, the corporation's exposure to risk is limited to the ability and capacity of its MBS Issuer partners to fulfill their obligations to pay investors. By guaranteeing the servicing performance of the Issuer – not the underlying collateral – Ginnie Mae insulates itself from the credit risk of the mortgage loans.

Ultimately, before Ginnie Mae is at risk of paying out on its guaranty, three levels of protection must be exhausted:

- Homeowner equity
- Insurance provided by the government agency that insured the loans
- Corporate resources of the entity that issued the security